

TRIAD MANAGEMENT, INC.
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August 28, 2001

Ms. S. B. Johnson
Special Services
Peoples Energy
130 E. Randolph Drive
Chicago, Illinois 60601

Re: 46 N. Parkside, Chicago
Account No. 9 5000 1289 2355
Your Letter of August 14, 2001

Dear Ms. Johnson:

We are very happy to have someone with whom we can work, at long last. Needless to say, it would have been very much better to hear from you six months ago. But, thank you for your letter.

Your letter basically says three things:

1. There were only a few actual readings of the meter, each time the account being appropriately re-billed, "degree" analysis proving that the readings and distributions were accurate.
2. Our request for approval of a "decentralization" plan was discussed with Ms. Casey, et al, who met with us on June 15 and who awaits our response.
3. The meter used from 8/98 to 7/01 has been tested by the city and not found wanting (I infer this from your wording).

First, there may have been few actual readings, but that's a problem at your end. Peoples Gas was given keys to read meters at our properties. If they encountered problems using those keys, I'm sure we never heard of it. Regardless, we don't buy into your concept of degree distribution.

The subject property was fully tenanted only at first (8/98) but, as we got rid of bad tenants, was nearly empty during 2000 and early months of 2001. Many parts of the building were down to bare maintenance heat levels, and empty units also don't use cooking gas. So, as far as we are concerned, the greatest weight of distribution has to be in the early period of ownership. If not, there is something very wrong somewhere (which is one reason we suspected the meter).

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Second, Eileen Casey and her people looked at the physical setup around June 15, heard our two-step plan to decentralize, and were to get back to us about a Peoples Gas' approval. Ms. Casey subsequently did phone to say that the internal review at Peoples Gas resulted in a turn down of our request.

When I understood from her that it was not normal procedure for her to provide a response in writing, I said that I would try to write to her confirming our understanding of the decision. However, there didn't seem to be much use in belaboring her further on something that seemed to be beyond her purview. And, we had yet to hear from Peoples on the other matters.

One of the problems that surfaced while Eileen Casey was with us at the site is that we apparently don't ever get to know the rules by which decisions are taken on such a matter. We were unable to learn if the "rules," mentioned but not seen, are a matter of state law, city ordinance, ICC regulation, or just Peoples Gas' "preference."

Not knowing, of course, puts us in a position where we therefore also don't know what our possible remedies may be. I would be happy for you to point me to a source of good information (outside Peoples Gas). Needless to say, we cannot accept a verbal negative without details. So, perhaps that is our response to Eileen. We want details in writing why we can't do what we proposed and what can be counter-proposed at the least expense to us.

Last, I cannot comment definitively about the attachment you provided from the city about the old meter. I gather from your wording that the test proves there is or was no meter problem. Perhaps! But, there are two things we don't like: The meter was removed and forwarded by Peoples Gas (which, if you'll permit a facetious remark, is a little like having a suspected felon carrying the evidence to the judge), and an absence of meter problem removes one possible explanation for that high usage which was not warranted by the situation, at least during 2000 and early 2001.

I will be very glad to have your further thoughts in response. Thank you.

Sincerely,

DK

David I. Korman

cc: Eileen Casey, Peoples Energy